

Message Text

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PAGE 01 MOSCOW 10714 100415Z

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ACTION SS-15

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CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

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C O N F I D E N T I A L MOSCOW 10714

C O R R E C T E D C O P Y (MRN 10714 VICE 0714)

FOR DEPUTY SECRETARY ROBINSON

E.O. 11652: GDS

TAGS: ENRG UR US

SUBJECT: US-SOVIET OIL NEGOTIATIONS

REF: A) STATE 163123 B) MOSCOW 10181

1. SUMMARY. DURING HOUR-LONG MEETING HIS OFFICE JULY 7, DEPUTY FOREIGN TRADE MINISTER OSIPOV DESCRIBED CHIEF POINTS OF CONTENTION IN MARCH 1976 WASHINGTON NEGOTIATIONS AND STATED THAT AS LEADER OF SOVIET OIL DELEGATION HE WOULD ASK SOVIET MERCHANT MARINE MINISTRY DELEGATION MEMBER AVERIN TO LOOK INTO OIL CARRIAGE RATE QUESTION AGAIN. IN LIGHT OF PRESENT WORLD CHARTER RATES FOR TANKERS OSIPOV EXPRESSED HOPE THAT HIGHER CURRENT RATES WOULD HAVE EFFECT OF BRINGING CLOSER US AND SOVIET POSITIONS DEFINED AT TIME TALKS WERE SUSPENDED. OSIPOV SUGGESTED US UNDERTAKE SIMILAR REVIEW AND CONCLUDED THAT IF SOVIET STUDY INDICATES TWO SIDES ARE CLOSER THAN WAS CASE LAST MARCH, AVERIN WOULD COMMUNICATE WITH ASSISTANT SECRETARY BLACKWELL. OSIPOV REITERATED EARLIER SOVIET RECOMMENDATION
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PAGE 02 MOSCOW 10714 100415Z

THAT TANKERS UNDER 45,000 TONS BE EXCLUDED FROM CARRIAGE OF CRUDE

AND DIRTY PRODUCT, CHARACTERIZING THIS AS SIMPLEST SOLUTION TO RATE PROBLEM. END SUMMARY.

2. CONVERSATION BEGAN WITH EXCHANGE OF CUSTOMARY COURTESIES, AFTER WHICH I EXTENDED INVITATION PER PARA 2 REFTEL A FOR AVERIN TO COMMUNICATE ANY NEW SOVIET RATE PROPOSAL DIRECTLY TO BLACKWELL. OSIPOV'S INITIAL RESPONSE WAS TO ASK CONFIRMATION THAT DEPUTY SECRETARY ROBINSON REMAINS CHIEF OF US OIL DELEGATION AND THAT US VIEW OF "PREFERRED" METHOD FOR RESTARTING TALKS IS THROUGH BLACKWELL-AVERIN CHANNEL. HE THEN, "THINKING ALOUD" RECOUNTED WHAT SEEMS TO BE REASONABLY ACCURATE TALE OF NEGOTIATING HISTORY, CLAIMING THAT AT TIME TALKS WERE SUSPENDED PARTIES APPEARED TO BE REASONABLY CLOSE ON ALL ISSUES EXCEPTING CARRIAGE RATE FOR CRUDE AND DIRTY PRODUCTS ON SHIPS UNDER 45,000 TONS.

3. EMPHASIZING WHAT HE CALLED "HIS" RESPONSE WHEN SUBJECT AROSE IN MARCH, OSIPOV REPEATED RECOMMENDATION THAT DIRTY PRODUCT AND CRUDE BE CARRIED EXCLUSIVELY IN SHIPS OVER 45,000 TONS. HE SAID THAT IF US WERE NOW PREPARED TO ACCEPT THIS CONCEPT, "CHANCES TO COMPLETE OUR NEGOTIATIONS ARE BRIGHT. THERE IS A GOOD PROSPECT FOR REACHING AGREE-

MENT."

4. OSIPOV TOUCHED LIGHTLY ON OTHER ELEMENTS OF DIFFERENCE BETWEEN US AND SOVIET POSITIONS ON FREIGHT RATES. HE DESCRIBED "WORLD MARKET CHARTER RATES" FOR TANKERS AS HAVING RISEN SINCE EARLY APRIL AND COMMENTED THAT, ALTHOUGH HE HAD NOT CHECKED RATES LATELY, HE SUPPOSED THAT AS OF BEGINNING JULY THEY MIGHT BE NEAR DOLS 10.37 RATE US HAD ASKED FOR CARRIAGE OF CLEAN PRODUCT IN TANKERS UNDER 45,000 TONS. IN VIEW OF GENERAL RISE IN TANKER CHARTER RATES SINCE EARLY SPRING HE CONSIDERED THAT AGREEMENT MIGHT BE EASIER TO REACH NOW THAN IT HAD BEEN SOME MONTHS AGO.

5. TURNING TO OTHER SO FAR UNSOLVED ELEMENTS OF OIL AGREEMENT, OSIPOV SINGLED OUT DRAFT ARTICLE 3 REGARDING FACILITATION AND/OR ENCOURAGEMENT OF SALES BY BOTH PARTIES, NOTING THAT PRECISE WORDING HAD YET TO BE SETTLED BUT THAT HE DOES NOT FEEL IT RAISES ANY OBSTACLE HE AND DEPUTY SECRETARY ROBINSON COULD NOT OVERCOME.

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PAGE 03 MOSCOW 10714 100415Z

6. TO OSIPOV'S DIRECT QUESTION WHETHER US NOW PROPOSES RENEWING NEGOTIATIONS ON FREIGHT RATES AS MEANS OF MOVING FORWARD TOWARD AGREEMENT, I REPEATED INVITATION FOR AVERIN TO CONTACT BLACKWELL AND REPLIED THAT AT THIS TIME WE HAVE NO NEW PROPOSALS TO MAKE BUT WOULD WELCOME ANY SOVIET SUGGESTIONS. AFTER REPEATING HIS EARLIER ASSERTION THAT SOVIET VIEWS REMAIN THOSE GIVEN WHEN TALKS WERE SUSPENDED, OSIPOV RETURNED TO SPECULATION THAT WORLD FREIGHT RATE CHANGES IN INTERIM MAY HAVE IMPROVED NEGOTIATING CLIMATE AND THEN PROPOSED THAT

HE INSTRUCT AVERIN TO REVIEW SOVIET PROPOSALS IN LIGHT OF CURRENT RATE STRUCTURE. IF AVERIN FINDS ANY PROMISING CHANGES, OSIPOV SAID, MERCHANT MARINE MINISTRY WILL GET IN TOUCH WITH US MARITIME ADMINISTRATION AND THEY CAN ARRANGE TO MEET AND TRY TO BRING THEIR RESPECTIVE POSITIONS CLOSER. OSIPOV LEFT NO DOUBT THAT HE WOULD PREFER TO SEE RATE PROPOSALS ARGUED DOWN TO RANGE ANALOGOUS TO WHAT BOTH SIDES PROPOSED IN MARCH FOR LARGER TANKERS BEFORE HE AND DEPUTY SECRETARY SET DOWN TO NEGOTIATE AGAIN.

7. OSIPOV MADE PLAIN THAT SOVIETS WOULD LIKE TO INCREASE PETROLEUM SALE TO US AS SOON AS POSSIBLE. PROMPTED BY ZINOV'YEV OF ADMINISTRATION FOR TRADE WITH COUNTRIES OF AMERICAS, HE REMARKED THAT OIL SOVIETS HAD EARLIER EARMARKED FOR SALE TO US IN 1976 IS NOW COMMITTED TO OTHER BUYERS AND THAT SOVIET MARKETING PRACTICES REQUIRE THAT, IF NO US-SOVIET OIL AGREEMENT IS REACHED BY OCTOBER, USSR WILL HAVE TO SELL TO OTHER BUYERS THE 10 MILLION TONS THEY WISH TO SEE GO TO US IN 1977. I DID NOT TAKE UP HIS SUGGESTION THAT SALES TO US COULD SOMEHOW BE ARRANGED IN ABSENCE OF SIGNED AGREEMENT BY LATE FALL.

8. COMMENT: THAT FAILURE OF OSIPOV'S PROBE FOR NEW US OFFER DID NOT IMPEDE HIM FROM FINDING REASON FOR FALLING IN WITH SUGGESTION OF AVERIN-BLACKWELL COMMUNICATION SUGGESTS THAT FOREIGN TRADE MINISTRY WOULD LIKE TO GET OIL NEGOTIATIONS GOING AGAIN. WHILE OSIPOV'S COMMENTS SUGGEST SOVIETS WILL RESURRECT PROPOSAL TO EXCLUDE SMALLER TANKERS FROM DIRTY CARGOES, FAILURE TO DWELL FURTHER ON THIS IDEA MAY INDICATE THAT IT WILL BE DROPPED IF "WORLD" CHARTER RATES CAN BE SHOWN AS JUSTIFYING A NEW AND HIGHER SOVIET OFFER.
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